

ORIGINAL

SONOITA VALLEY WATER COMP.

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May 14, 2013

Docket Control Center
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

MAY 16 2013



Re: Dockets W-20435A-09-0296 and W-20435A-09-0298

In regard to the above referenced decision Sonoita Valley Water Company ("Company") will not be moving forward with the financing for improvements and/or construction as approved by the Commission. Although the system is in dire need of repair, the Company's revenues cannot service the Water Infrastructure Finance Authority ("WIFA") debt. The approved WIFA surcharge does not include the reserve payments, which adds another 20% to the debt service paid to WIFA.

According to Staff's position adopted by the Commission, the Company's expenses were adjusted to be \$80,572 for test year 2008, and the proposed rate design was supposed to generate \$101,012 after taking effect. Part of this "surplus" \$20,440 was supposed to pay the WIFA reserves. Unfortunately, Company's rates, as designed by Staff, fall far short of producing the projected revenues. In 2011 and 2012, the Company's revenues were \$86,194 and \$71,961, respectively. Thus, over the past two years, the Company's revenues averaged less than the amount needed to pay the expenses that it incurred five years ago.

Knowing the revenues fall short of paying reasonable expenses, it would be unsound financially and against the public interest to incur the WIFA debt knowing there is no money to pay the requisite reserves. While the water system still needs extensive and immediate repairs, the Company cannot afford to take the loan to make the necessary repairs.

Therefore, the Company regrettably informs the Commission that it cannot enter into a loan agreement with WIFA. Accordingly, all compliance items relating to the proposed loan should be dismissed or otherwise reflect this development.

Regards,

E.H. "Buck" Lewis

Buck Lewis, President

Table A

Site	Description	Qty	Unit Cost	Total Cost	Notes
Sonoita System	Water Line replacement with new 4-inch C-900 200 PVC Pipe	3,500 LF	\$25	\$87,500	Replace leaking water lines along Collie Drive
Los Encinos Well Site	Piping and appurtenances	--	--	\$5,500	Install new piping & appurtenances for the new booster pumps
Los Encinos Well Site	4-inch concrete slab	--	--	\$3,000	Install a new slab for the new booster pumps
Los Encinos Well Site	Chain link fencing	--	--	\$12,000	Install new fence
Los Encinos Well Site	Booster Pumps (5hp)	2	\$4,500	\$9,000	Install new pumps to feed Los Encinos
Los Encinos Well Site	Storage Tank (20,000 gallons)	1	\$35,000	\$35,000	Replace the existing 10,000 gallon tank to serve Los Encinos
Los Encinos Well Site	Bladder Tanks	4	\$1,250	\$5,000	Replace existing bladder tanks to serve Los Encinos
Los Encinos Well Site	Site Electrical	--	--	\$10,000	Install the conduit, wire cables, controls & switches to the new booster pumps and existing well
Sonoita Site	Pressure Tank	1	\$15,000	\$15,000	Replace existing pressure tank
	All fees (Administrative, Legal, Submittal, Project Management, Inspections, Engineering, Survey, Contingencies, etc.)		Subtotal	\$182,000	
				<u>\$46,000</u>	
			Total	\$228,000	

16. Staff concludes that the proposed improvement projects and estimated costs, totaling \$228,000, as delineated in Table A above, appear to be reasonable and appropriate. Staff states that approval of this Financing Application does not imply any particular future treatment for rate making purposes, and that no "used and useful" determination of the proposed plant, and no conclusions for rate making or rate base purposes should be inferred.